

Message Text

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ACTION EUR-06

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R 201200Z SEP 74

FM AMCONSUL MILAN

TO SECSTATE WASHDC 3746

INFO USDOC WASHDC

AMEMBASSY ABIDJAN

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY STOCKHOLM

AMCONSUL AMSTERDAM

AMCONSUL ZURICH

USIA WASHDC

UNCLAS MILAN 1347

E.O. 11652: N/A

TAGS: BEXP, IT

SUBJ: FY75 IN-STORE PROMOTION LA STANDA

FOR COMMERCE USIA AND USTS

AMSTERDAM, COPENHAGEN, STOCKHOLM & ZURICH FOR CHARLES JOHNSON

BRUSSELS FOR GRANT

ABIDJAN SEE PARA 9

ROME FOR COMSEC AND USIS

REF: STATE 070667 (NOTAL); MILAN 0886 (NOTAL; RIESGO-JOHNSON

CORRESPONDENCE OF AUGUST 30 (NOTAL)

1. ON 13 SEPTEMBER FROST AND RIZZO CALLED ON ROGER ROFE' TO CLARIFY THE POINTS BROUGHT UP DURING THE MEETING WITH RIESGO AND RIZZO. ALAS, THIS WAS NOT TO BE THE CASE.

2. ROFE', WHO WAS JOINED BY HIS ASSISTANT, EDMOND ALPHANDERY, STATED THAT HE NOW APPRECIATED THE FACT THAT THERE WERE NOT SUFFICIENT FUNDS TO GO BEYOND \$50,000.

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3. HE SAID, HOWEVER, THAT HE WISHED TO DISCUSS THE "PRINCIPLE"

AND THE "PRECEDENT" INVOLVED IN THE FIGURE OF 2.8 MILLION DOLLARS MENTIONED IN THE PROPOSED CONTRACT. ROFE' SAID THAT WHEN HE AND PIERO VERNONE, MERCHANDISE MANAGER, HAD MET WITH CHARLES JOHNSON IN MILAN LAST YEAR - FROST WAS ALSO PRESENT AT THIS MEETING - THEY HAD BOTH UNDERSTOOD THAT FINANCING WAS TO BE AT A RATE OF \$5,000 FOR EVERY \$25,000 OF PURCHASES UP TO A MAXIMUM OF \$50,000. ALTHOUGH THEY WERE INDEED PURCHASING 2.8 MILLION DOLLARS WORTH OF GOODS AND THUS HAD REAL NO OBJECTION TO THAT SUM BEING MENTIONED IN THIS CONTRACT, BUT HE DIDN'T WANT TO SET A PRECEDENT FOR THE FUTURE WHEREBY STANDA WOULD AGAIN BE REQUIRED TO BUY IN THE MILLIONS IN ORDER TO OBTAIN \$50,000 WHEN ACCORDING TO THEIR UNDERSTANDING OF COMMERCE POLICY THEY WOULD ONLY BE REQUIRED TO SPEND \$250,000.

4. FROST ASSURED THEM THAT THEY HAD MISUNDERSTOOD JOHNSON WHO HAD INDEED INFORMED THEM THAT IN PRINCIPLE COMMERCE FINANCED IN-STORE-PROMOTIONS AT A RATIO OF ONE TO TEN WITH A NORMAL MAXIMUM OF \$25,000. FROST ALSO TOLD THEM THAT HE REMEMBERED JOHNSON AS HAVING MADE IT CLEAR THAT ANY FINANCING OVER \$25,000 WOULD BE DECIDED ON A CASE-BY-CASE BASIS AND THAT CERTAINLY THE AMOUNT TO BE PURCHASED WOULD PLAY AN IMPORTANT ROLE IN A FINAL DECISION. TO SET THE MATTER TO REST, HOWEVER, FROST PROMISED TO OBTAIN CONFIRMATION FROM COMMERCE OF HIS UNDERSTANDING OF CURRENT POLICY AS SPELLED OUT BY JOHNSON.

5. ROFE' ALSO OBJECTED TO THE REQUIREMENT TO PRESENT A REPORT SIX MONTHS AFTER THE EVENT. HE SAID THAT STANDA'S SALES DEPARTMENT HAD A DIFFICULT ENOUGH TIME MAKING AN INVENTORY IMMEDIATELY AFTER A PROMOTION AND THAT AN INVENTORY SIX MONTHS AFTER THE FACT WAS OUT OF THE QUESTION. FROST SAID THAT IT WAS HIS UNDERSTANDING THAT THE SECOND REPORT COULD BE MADE WITHOUT CONDUCTING AN INVENTORY, THAT IT WAS INTENDED TO BE "IMPRESSIONISTIC" AND THAT THE REAL THRUST OF THE REPORT WAS TO CONSIST OF THE STORE'S ESTIMATE OF THE IMPACT OF THE PROMOTION IN TERMS OF INCREASED INCREMENTAL SALES IN THE FUTURE. FROST SAID THAT HE PERSONALLY WOULD HAVE NO OBJECTION IF THE "REPORT" SHOULD TAKE THE FORM OF A "BRAIN-SESSION" BETWEEN CONSULATE GENERAL PERSONNEL, RAFE' AND PEOPLE IN STANDA'S SALES DEPARTMENT, WITH THE ACTUAL WRITING OF THE REPORT BEING DONE BY UNCLASSIFIED

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THE CONSULATE GENERAL. IT WOULD HELP OUR DEALINGS WITH STANDA ON THIS MATTER IF WE COULD BE SUPPLIED WITH SAMPLE REPORTS WHICH COMMERCE JUDGES TO MEET THE BASIC REQUIREMENTS.

6. FINALLY, ROFE' OBJECTED TO HAVING TO WAIT FOR SIX MONTH'S FOR FINAL PAYMENT. HE SAID THAT LOCAL ADVERTISING AGENTS WERE NOT ABOUT TO WAIT FOR SIX MONTHS FOR FINAL PAYMENT. HE ALSO SAID THAT THE 50 PERCENT DEPOSIT REQUIREMENT ON THE IMPORT OF THESE

GOODS, PLUS THE EXTREMELY TIGHT LOCAL CREDIT SITUATION HAD ALREADY CREATED LIQUIDITY PROBLEMS FOR STANDA (AS IT HAS FOR MANY OTHER ITALIAN COMPANIES, BOTH LARGE AND SMALL). HE SAID THAT HE THOUGHT HE WOULD HAVE A HARD TIME CONVINCING HIS TOP MANAGEMENT TO "CARRY" \$25,000 FOR SIX MONTHS. IS THERE ANY COMPROMISE WE CAN OFFER ON THIS QUESTION?

7. ROFE' AGAIN RAISED THE SUBJECT OF OBTAINING THROUGH USG SOURCES, FLAGS, POSTERS, RECORDS, ETC., WHICH HE SAID HE HAD RAISED WITH JOHNSON. HE MENTIONED THE FOLLOWING NEEDS FOR THEIR 70 STORE MAIN-THRUST PROMOTION: 6,000 SMALL U.S. FLAGS; 300 LARGE U.S. FLAGS; AND 3,500 TO 4,200 TRAVEL-TYPE POSTERS (50-60 FOR EACH STORE). ROFE' STRESSED THAT INDIA AND SOUTH KOREA WERE BOTH PROVIDING THIS TYPE OF MATERIAL. WE WONDER WHAT HELP, IF ANY, COMMERCE, USTS AND USIA CAN PROVIDE IN THIS CONNECTION, AND HOW IT WILL BE FINANCED.

8. FOR ROME: FROST DISCUSSED POSSIBILITY OF SOME SORT OF TIE-IN EITHER IN ROME OR MILAN BETWEEN THE STANDA PROMOTION AND USIS/ITALY'S BENEFITS FROM SPACE EXHIBIT. ROFE' EXPRESSED INTEREST AND IT WAS AGREED THAT WITHIN A WEEK OR SO WE WOULD HOLD A MEETING BETWEEN FROST, LAGAMMA OR FOTOS, ALPHANDERY AND REPRESENTATIVES OF STANDA'S SALES AND ADVERTISING DEPARTMENTS.

9. FOR BRUSSELS AND ABIDJAN: WE KNOW THAT ONCE BRUSSELS HAD A SUPPLY OF FLAGS, BUT THEY WERE LATER SENT TO ABIDJAN FOR AN AMERICA-WEEK AND MAY NEVER HAVE BEEN RETURNED.

10. ROFE' WILL BE IN THE FAR EAST DURING CHARLES JOHNSON'S VISIT TO MILAN, BUT EITHER ALPHANDERY OR VERNONE CAN SIGN CONTRACT. FINA

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